DEPARTMENT OF ENVIRONMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2003 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure/(recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 27, 2003

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2003	2002
ASSETS		
Current assets:		
Accounts receivable (Note 10)	$ 77,379	$ 209,246
Inventories	365,636	432,767
Prepaid expenses	48,696	47,154
	491,711	689,167
Capital assets (Note 5)	3,000,577	2,622,400
	$ 3,492,288	$ 3,311,567
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable (Note 10)	$ 56,721	$ 95,943
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 10)	3,475,081	3,118,547
Fund equity:		
Accumulated operating (deficit)/surplus (Statement 2)	(39,514)	97,077
	$ 3,492,288	$ 3,311,567

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31

	2003		2002
	Budget (Note 9)	Actual	Actual
Revenues:			
Radio communications	$ 1,700,000	$ 1,618,934	$ 1,663,764
Equipment rental and recoveries	281,000	318,244	200,637
Staff housing	161,000	162,365	164,810
Northern air operations	100,000	180,587	60,360
	2,242,000	2,280,130	2,089,571
Expenses:			
Salaries and benefits	1,042,000	1,133,629	975,436
Contractual services	484,000	454,791	510,641
Amortization	422,000	411,464	330,941
Materials & supplies	274,000	366,275	232,768
Travel & sustenance	61,000	55,471	61,212
Bad debt	8,000	(4,909)	7,362
	2,291,000	2,416,721	2,118,360
Net (loss) (Notes 6 and 11)	$ (49,000)	(136,591)	(28,789)
Accumulated operating surplus/(deficit), beginning of year		97,077	125,866
Accumulated operating (deficit)/surplus, end of year - to Statement 1		$ (39,514)	$ 97,077

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2003	2002
Financing (provided by)/required for operating activities:		
Net loss	$ 136,591	$ 28,789
Items not affecting working capital		
-amortization	(411,464)	(330,941)
-gain/(loss) on disposal of capital assets	40,110	(10,705)
Net (decrease)/increase in working capital items related to operations (Note 7)	(158,234)	507,206
Net financing (provided by)/required for operating activities	(392,997)	194,349
Financing (provided by)/required for investing activities:		
Purchase of capital assets	809,058	888,348
Proceeds from sale of capital assets	(59,527)	(16,195)
Net financing required for investing activities	749,531	872,153
Net increase in financing requirements	356,534	1,066,502
Accumulated net expenditure, beginning of year	3,118,547	2,052,045
Accumulated net expenditure, end of year - to Statement 1	$ 3,475,081	$ 3,118,547

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2003

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 7. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of airplane parts and radio components.

d) Revenue recognition

Revenue is recognized when services are rendered.

e) Capital Assets

Individual capital assets costing more than $500 are capitalized. Amortization commences in the year of acquisition for Radio Communications and Northern Air Operations and amortization for Equipment Rental commences in the year following acquisition. Amortization is calculated on the straight-line basis over the useful life of the asset. Annual amortization rates are 8% for radio communication equipment and 5% to 33% for other equipment.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

4. Accumulated Operating Surplus/(Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/(deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/(deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified $200,000 as the limit for the accumulated operating surplus/(deficit) of the Revolving Fund.

5. Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment rental	$ 4,589,991	$ 2,531,413	$ 2,058,578	$ 1,984,441
Radio communications	3,175,849	2,276,545	899,304	589,207
Northern air operations	63,080	20,385	42,695	48,752
	$ 7,828,920	$ 4,828,343	$ 3,000,577	$ 2,622,400

6. Segmented Information

	2003			2002
	Revenues	Expenses	Net Income/ (Loss)	Net Income/ (Loss)
Radio communications	$ 1,618,934	$ 1,833,674	$ (214,740)	$ 74,157
Equipment rental	318,244	261,682	56,562	2,853
Staff housing	162,365	174,810	(12,445)	(113,449)
Northern air operations	180,587	146,555	34,032	7,650
	$ 2,280,130	$ 2,416,721	$ (136,591)	$ (28,789)

7. Net Change in Working Capital Items Related to Operations

	2003	2002
(Decrease)/increase in accounts receivable	$ (131,867)	$ 129,428
(Decrease)/increase in inventories	(67,131)	197,211
Increase in prepaid expenses	1,542	454
Decrease in accounts payable	39,222	180,113
	$ (158,234)	$ 507,206

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

Category	2003	2002
Revenues:		
Radio communications	$ 1,609,202	$ 1,663,232
Equipment rental and recoveries	318,244	211,249
Expenses:		
Contractual services	130,531	135,451
Materials & supplies	7,097	3,078
Travel & sustenance	33,143	35,902
Accounts receivable	75,783	188,003
Accounts payable	13,277	7,189

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

10. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net expenditure has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to minimal credit risk from the potential of non-payment of accounts receivable. Most receivables were received subsequent to year-end.

11. Amount Reported in Public Accounts

The net (expenditure)/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2003	2002
Net (loss)/income	$ (136,591)	$ (28,789)
Decrease/(increase) in inventory	67,131	(197,211)
(Increase) in net capital assets	(378,177)	(530,507)
Amounts included/(not included) in Public Accounts due to timing	43,327	(43,327)
Net (expenditure)/recovery reported in Public Accounts	$ (404,310)	$ (799,834)